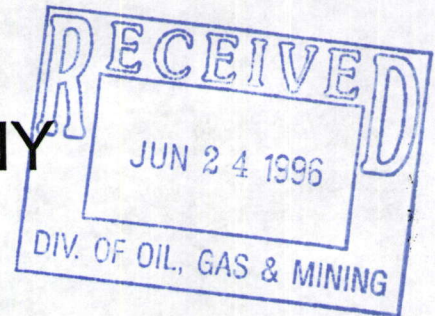


M/027/007

JUMBO MINING COMPANY

6305 Fern Spring Cove
Austin, Texas 78730
512-346-4537 (Ph.)
512-346-3188 (Fax)



June 10, 1996
File: JMC06106

Mr. Fred C. Pehrson, P.E.
Manager
Permits, Compliance & Monitoring Branch
State of Utah
Department of Environmental Quality
Division of Water Quality
P.O. Box 144870
Salt Lake City, Utah 84114-4870

Dear Mr. Pehrson:

In response to your letter dated May 13, 1996, which was delivered registered mail to me on June 6, 1996, we have the following observations:

1) Your letter assumes that there may have been a "discharge of pollutants into the ground waters of the State...". We can only reply that Jumbo discovered and reported to the State the evidence of leakage from certain heaps which occurred during the operation by Western States Minerals Corporation, prior to the purchase of the property by Jumbo. After discovery of this leakage, Jumbo drilled a number of monitoring wells and supplied to your Department an extensive amount of information in an attempt to characterize the extent of this prior discharge. Based on this information, and knowledge that there has been no ground water identified in this area, even down to levels more than 2,000 feet below these heaps, we have ample reason to believe that this prior discharge has not contaminated any ground waters of the State, nor does it pose any reasonable danger of doing so. Furthermore, there is specific evidence that the pollutants which were identified in the limited amount of water contained in perched water adjacent to the heaps have been dropping steadily during the last several years.

As you are aware, it is Jumbo's position that it has no liability for any reclamation caused by any violations of permits by Western or other acts of Western prior to Jumbo's purchase of the property. This matter is now before the Colorado Court of Appeals, and a decision is expected on the matter before the end of this year.

2) With respect to the alleged continuing discharge of pollutants from the old heaps, we can only state that since

Jumbo Mining Company purchased this property from Western States Minerals Corporation. We are not aware of any evidence that there has been any discharges of pollutants into the ground waters of the State, even supposing that there were ground waters in the vicinity which could be contaminated. To the contrary, on the rare occasions when there has been any drainage from these heaps, analytical results have failed to show any significant pollutants of concern in the drainage. I believe these analyses have been supplied to your Department on more than one occasion, and additional sampling is waiting for the advent of a drainage from the heaps in order to secure samples. There has been no drainage from these heaps for nearly a year.

Lacking any direct evidence that drainage from these heaps contain pollutants of concern, we fail to see what is to be gained by doing anything to the heaps until such time as:

a) A new operating plan is formulated and submitted to the various State and Federal agencies. While the engineering for a new heap has been substantially completed, in recent months it appears that a new deep drilling exploration program, in partnership with a major mining company, may be forthcoming. If additional sulfide bearing ore reserves are discovered as a result of this program (all existing ore reserves are well oxidized), a completely different operating plan must be formulated. If only oxide reserves are discovered from the drilling which Jumbo has scheduled during the next quarter, the existing plans must be modified to accommodate these additional reserves. These factors are critical as to the timing and method of reprocessing or reclamation of the existing heaps.

b) The contractual responsibility for the prior leakage from the heaps during Western's operations has not been finally determined by the Colorado courts. Considering the facts presented above, until this matter is settled, please note that the State of Utah would seem to be amply bonded against any clean up that might be required in this remote desert area by the bonds which it holds from Western and Jumbo, which aggregate more than \$425,000.

3) And finally, our consultant, Dr. Evert Lawton, will shortly be submitting the results of his ground water calculations based on the HELP computer modeling which your Department has recommended.

We hope that you will take into consideration the above factors in your future recommendations on this property.

Sincerely,


E. B. King

cc: Dave Hartshorn, Delta
Z. Lance Samay, Esq.

→ Wayne Hedberg, DOGM
Central Utah Health Department
Attorney General Office